

CITY OF NASHUA, IOWA
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

- Prepared By -

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CITY OF NASHUA, IOWA

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CITY OF NASHUA, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
John Phyfe	Mayor	January 2014
Richard Baldwin	Mayor Pro tem	January 2016
Richard Crooks	Council Member	January 2014
Terry McGinnis	Council Member	January 2014
Roger Gigler	Council Member	January 2016
Scott Cerwinske	Council Member	January 2016
Rebecca Neal	City Clerk	Indefinite
Melissa Berends	Treasurer	Indefinite
Dave Skilton	Attorney	Indefinite



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INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor and
Members of the City Council:

I have performed an examination of the City of Nashua, Iowa pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Nashua for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Nashua, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Nashua, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nashua and other parties to whom the City of Nashua may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Nashua during the course of my examination. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
December 12, 2013

Detailed Recommendations

**CITY OF NASHUA, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013**

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - Recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Monthly Treasurer's Report - The June 2013 Treasurer's Report generated by the City's software does not equal the City Clerk's manual treasurer's report.

Recommendation - The City should establish procedures to ensure computer generated reports are accurate. The City should work with its software provider to determine the cause for the report errors and take immediate action to correct the reports.

- (C) Investment Schedule - The City does not prepare a detailed investment schedule to support the amount of investments included on the City's treasurer report.

Recommendation - The City should prepare a detailed investment schedule to easily identify individual investments which comprise investments on the monthly treasurer's report.

- (D) Delinquent Utilities - The City has not been fully enforcing the ordinance pertaining to delinquent utilities. I noted that shut-offs were not being implemented when accounts become fully delinquent.

Recommendation - The City should comply with its ordinance pertaining to delinquent utilities. This will also result in improvement of cash flow by collecting delinquent accounts.

CITY OF NASHUA, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Utility customer delinquent account listings should be maintained and procedures should be established to reconcile utility billings, collections, and delinquent accounts for each billing period. The City Council should review the reconciliations and monitor delinquent accounts.

- (F) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Paul Becthold, employee Owner of Becthold Plumbing	Services	\$1,835
Rebecca Neal, employee	Consignment sales at the Welcome Center	163
Bill Neal, spouse of City Clerk, Rebecca Neal	Consignment sales at the Welcome Center	593
Tom Bussey, spouse of Employee	Consignment sales at the Welcome Center	150
Sue Bussey, employee	Consignment sales at the Welcome Center	243
Lisa Zwanziger, spouse of Employee	Consignment sales at the Welcome Center	25
Kathy Pfilbsen, employee	Consignment sales at the Welcome Center	150

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (G) Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted checks with only one authorized signature.

Recommendation - Checks should be prepared and signed by one authorized individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

**CITY OF NASHUA, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013**

- (H) Financial Condition - At June 30, 2013, the City had a deficit balance of \$17,877 in the Enterprise, Sewer Fund.

Recommendation - The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

- (I) City Code - The City Code was last re-codified in 2006. Chapter 380.8 of the Code of Iowa states in part, "At least once every five years, a City shall compile a code of ordinances containing all of the City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances and ordinances vacating street and alleys."

Recommendation - The City should review this for compliance.

- (J) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (K) Disaster Recovery Plan and Information Systems - During our review of internal control, the existing control activities in the City's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

I noted that the City does not have written policies for password privacy and confidentiality. Daily computer backups are not kept off-site.

Also, the City does not have a disaster recovery plan that should address specific details such as identification of critical applications, staff responsibilities, equipment and software inventory, use documentation, etc.

Recommendation - The City should develop written policies addressing the above items in order to improve the City's control over computer based systems.